

## STATE OF SOUTH CAROLINA

## (Caption of Case)

Application of South Carolina Electric & Gas  
Company for Approval to Continue Demand Side  
Management Programs and Included Rate Rider,  
and for Approval of Revised Portfolio of Energy  
Efficiency Programs

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

## COVER SHEET

## DOCKET

NUMBER: 2013 - 208 - E

(Please type or print)

Submitted by: Stephanie U. RobertsSC Bar Number: 80073

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

**DOCKETING INFORMATION** (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input checked="" type="checkbox"/> Other: Letter and COS	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		



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October 3, 2013

Via SCPSC E-FILING DMS

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive  
Columbia, SC 29210

**Re: Application of South Carolina Electric & Gas Company for Approval to Continue Demand Side Management Programs and Included Rate Rider, and for Approval of Revised Portfolio of Energy Efficiency Programs  
Docket No. 2013-208-E**

Dear Ms. Boyd:

Please find attached for electronic filing with the South Carolina Public Service Commission ("Commission") a copy of the Direct Testimony and Exhibits of Kenneth E. Baker on behalf of Wal-Mart Stores East, LP, and Sam's East, Inc. (collectively, "Walmart"), in the above-referenced matter. By copy of this letter, I am serving all parties of record via Electronic Mail and First Class Mail.

Please contact us if you have any questions concerning this filing.

Sincerely,

SPILMAN THOMAS & BATTLE, PLLC

By

  
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SUR/lhi  
Attachments  
c: Certificate of Service

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West Virginia

North Carolina

Pennsylvania

Virginia

STATE OF SOUTH CAROLINA  
BEFORE THE PUBLIC SERVICE COMMISSION  
DOCKET NO. 2013-208-E

In the Matter of:

South Carolina Electric & Gas Company -  
Approval to Continue Demand Side Management  
Programs and Included Rate Rider, and for  
Approval of Revised Portfolio of Energy  
Efficiency Programs

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served one (1) copy of the foregoing document upon the following parties to this proceeding via Electronic Mail and First Class Mail:

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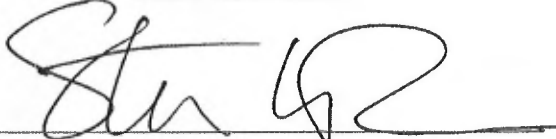
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Dated: October 3, 2013

STATE OF SOUTH CAROLINA  
BEFORE THE PUBLIC SERVICE COMMISSION  
DOCKET NO. 2013-208-E

In the Matter of: )  
)  
South Carolina Electric & Gas Company - )  
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Approval of Revised Portfolio of Energy )  
Efficiency Programs )

**DIRECT TESTIMONY AND EXHIBITS OF KENNETH E. BAKER**  
**ON BEHALF OF**  
**WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

Dated: October 2013

1 **Q. Please state your name and business address.**

2 A. My name is Kenneth E. Baker. My business address is 2001 SE 10th Street, Bentonville,  
3 AR 72716-0550.

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by Wal-Mart Stores, Inc. as Senior Manager of Sustainable Regulation.

6 **Q. Please describe your education and professional experience.**

7 A. In 1985, I received my B.S. degree in Health Science from College of St. Frances and  
8 later attended law school at the University of Arkansas at Little Rock School of Law,  
9 graduating in 1992 with a J.D. degree. I then practiced law at the Center for Arkansas  
10 Legal Services from 1992 to 1999 prior to joining Walmart. Early in my career at  
11 Walmart, I held the position of Manager of Real Estate where I helped locate sites  
12 for distribution centers. My duties in this position included locating sites and negotiating  
13 with communities to build distribution centers. In 2006, I transferred to the Energy  
14 Department and am currently the Senior Manager for Sustainable Regulation and  
15 Legislation. My current duties include monitoring and participation in utility  
16 commission cases and monitoring legislation that primarily deals with policy matters that  
17 could potentially impact Walmart business. I have also been involved in the negotiation,  
18 drafting, and execution of renewable energy and energy efficiency contracts.

19 **Q. On whose behalf are you testifying?**

20 A. I am testifying on behalf of Wal-Mart Stores East, LP and Sam's East, Inc. (collectively  
21 "Walmart").

1 **Q. Was this testimony prepared by you or under your direction?**

2 A. Yes.

3 **Q. Have you previously testified before the Public Service Commission of South**  
4 **Carolina?**

5 A. Yes. I have submitted testimony in Docket No. 2005-386-E, Petition of the Office of  
6 Regulatory Staff to Establish Dockets to Consider Implementing the Requirements of  
7 Section 1252 (Smart Metering) of the Energy Policy Act of 2005.

8 **Q. Have you previously submitted testimony before other state regulatory**  
9 **commissions?**

10 A. I have submitted testimony before the Commissions in Missouri, North Carolina, New  
11 Mexico, Massachusetts, Arizona, Georgia, and Indiana. Additionally, I have submitted  
12 testimony before legislative committees in Texas and Pennsylvania. My testimony has  
13 included topics concerning demand response, demand side management measures, and  
14 renewable energy issues. *See* Exhibit KEB-1.

15 **Q. What impact does Walmart have on the South Carolina economy?**

16 A. As of July 31, 2013, Walmart has over 75 facilities and over 29,000 associates in South  
17 Carolina. Additionally, as of fiscal year ending 2013, Walmart spent over \$1.2 billion  
18 for merchandise and services with South Carolina suppliers, supporting over 20,000  
19 supplier jobs in the state. *See* [http://corporate.walmart.com/our-story/locations/united-](http://corporate.walmart.com/our-story/locations/united-states)  
20 [states](http://corporate.walmart.com/our-story/locations/united-states)

21 **Q. What is the purpose of your testimony?**

22 A. In this testimony, I respond to the Application of South Carolina Electric and Gas  
23 Company ("SCE&G" or "Company") for Approval to Continue Demand Side

1 Management ("DSM") Programs and Included Rate Rider, and for Approval of Revised  
2 Portfolio of Energy Efficiency ("EE") Programs.

3 **Q. Is Walmart a customer of SCE&G?**

4 A. Yes, Walmart has approximately 27 facilities in South Carolina that are served by  
5 SCE&G, including Walmart Supercenters, Sam's Clubs, and gas stations. Walmart  
6 purchases over 127 million kWh annually from SCE&G.

7 **Q. Please summarize your testimony.**

8 A. My testimony briefly describes the pro-active steps Walmart has taken to reduce demand  
9 and increase energy efficiency at all of our facilities, including facilities on the SCE&G  
10 system. I discuss the advantages of allowing commercial customers the opportunity,  
11 should they decide to do so, to implement their own demand management and energy  
12 conservation measures and to then be entitled to "opt- out" of SCE&G's DSM and EE  
13 program. Finally, I propose an opt-out mechanism that could be applied to SCE&G's  
14 DSM and EE programs that is patterned after the Duke Energy Progress ("DEP")  
15 mechanism previously approved by this Commission. Namely, I propose that specific,  
16 well delineated annual usage be used as a benchmark for participation in any proposed  
17 opt-out program instead of arbitrary business categories that have no nexus to a  
18 customer's ability, commitment, and resources to perform DSM and EE on their own.

**Walmart's Demand Reduction and Energy Conservation Program**

**Q. Does Walmart have a plan for reducing its demand and conserving energy at its facilities?**

A. Yes. First, Walmart will scale renewables and drive the production or procurement of one billion kWh of renewable energy globally by December 31, 2020 – an increase of over 600 percent compared to 2010. Second, Walmart will accelerate energy efficiency. By December 31, 2020, our goal is to reduce the kWh/sq. ft. energy intensity required to power our buildings around the world by 20 percent compared to 2010.

**Q. Describe some of the measures Walmart has used, and will use in the future, to implement its plan for reducing demand and conserving energy?**

A. All of Walmart's United States stores, including those in South Carolina, are centrally monitored through an energy management system installed in each facility. Through this system, Walmart has the ability to centrally monitor and control store temperature, lighting, and refrigeration units. This energy management system, in combination with its advanced metering system, also allows Walmart to efficiently implement demand response commands. As a result, Walmart currently participates in at least twelve utility and ISO/RTO demand response programs nationwide.

**Q. Can you provide specific examples of Walmart's deployment of EE and DSM technology?**

A. Yes. Walmart has deployed a number of energy saving technologies, including:

- 1) Sub-metering systems in approximately 1,650 of our facilities in the United States and 375 United Kingdom facilities;



- 2) Daylight harvesting systems, in which lighting intensity automatically adjusts given the amount of incoming daylight from skylights;
- 3) Highly efficient HVAC units that exceed the most stringent energy code in the United States;
- 4) White membrane roofs in certain parts of the country that lower cooling load;
- 5) Heat reclamation from our refrigeration equipment to meet approximately seventy percent of the hot water needs of our Supercenters;
- 6) T8 and LED lighting; and,
- 7) Active dehumidification that enables stores to operate at higher temperatures and use less electricity.

Walmart has deployed a majority of the energy efficiency and conservation measures listed above in its South Carolina stores.

**SCE&G's Opt-Out Criteria**

**Q. What is your understanding of SCE&G's current eligibility guidelines for qualifying to opt-out of its DSM programs?**

A. It is my understanding from the testimony of SCE&G witness Kenneth Jackson that "[a]ny industrial customer may opt-out of the DSM programs and cost recovery mechanism by filing a written request with the Company stating that the customer already has implemented or will be implementing alternative DSM and energy efficiency measures." See Direct Testimony of Kenneth R. Jackson, page 10, lines 15-18. Mr. Jackson goes on to state that an eligible industrial customer is defined for purposes of the opt-out by the "Availability" section of SCE&G's Rate 23 tariff. *Id.* at lines 18-21. So, an industrial customer eligible to opt-out "is any customer that is classified in the major

1 industrial group of manufacturing with 10-14 or 20-39 as the first two digits of the  
2 Standard Industrial Classification or 21 or 31-33 as the first two digits of the six digit  
3 North American Industry Classification System...." *Id.* at page 11, lines 1-5.

4 **Q. Does Walmart believe that the above methodology is the correct way to decide who**  
5 **can qualify for and benefit from the opt-out?**

6 A. No.

7 **Q. Please explain.**

8 A. The method is arbitrary and unreasonable for at least two key reasons. First, using SIC  
9 and NAICS codes is arbitrary at best. Walmart is similar to many large industrial  
10 customers in terms of its collective energy usage at multiple facilities on the SCE&G  
11 system, yet Walmart does not qualify for the opt-out under the current criteria. Further,  
12 while there may be broad differences in the loads of those customers included in the  
13 above cited group, there also is likely a large range in the knowledge and experience the  
14 individual qualifying customers have in the area of DSM and EE. For these reasons, the  
15 method utilized by SCE&G to identify qualifying opt-out customers is as illogical as, and  
16 not unlike, drawing names from a hat. Second, the method used by SCE&G is simply  
17 unreasonable in excluding companies like Walmart who have proactively performed their  
18 own energy efficiency for some time and continue to do so. Walmart continues to pay  
19 SCE&G DSM charges, despite continuing with its own aggressive DSM and EE projects  
20 and applications, using its own resources. Large commercial customers like Walmart that  
21 are committed to EE and DSM should be treated fairly with respect to opting out.  
22

1 **Q. Why would Walmart consider opting out of SCE&G's DSM and EE programs?**

2 A. Large commercial customers like Walmart, who best understand their unique business  
3 operations, are able to create programs tailored to maximize the impact of the EE and  
4 DSM measures installed in their facilities. Additionally, due to the size and scope of the  
5 measures they can implement, these customers can benefit from the competitive  
6 marketplace for energy efficiency goods and services, as energy service companies  
7 compete to provide the most innovative and cost-effective products to those customers.  
8 Finally, the individual customer assumes all of the risk of the investment (such as the risk  
9 that the installed measure will in fact conserve and reduce energy use), as opposed to  
10 having that risk passed onto other ratepayers. Thus, the customer has every incentive to  
11 ensure that the implemented measures are cost-effective, and as a result, both the  
12 individual large customer as well as the Company's other customers benefit. This truly is  
13 an efficient market-based approach.

14 **Q. Do EE and DSM measures implemented by an individual customer on its own yield**  
15 **network benefit SCE&G's other customers?**

16 A. Yes. A customer, whether commercial or industrial, that implements EE and DSM  
17 measures on its own yields network benefits for all of the utility's other customers. These  
18 network benefits include reduced overall energy costs that result from the reduced load  
19 and demand of the customer on the system. An additional network benefit is the  
20 increased system reliability that results in reducing system loss from the commercial  
21 customers' reduced energy demand. Other utility customers enjoy all of the network  
22 benefits without having to fund such measures through their rates or additional recovery  
23 riders. Essentially, those large customers who have undertaken their own conservation

1 and energy efficiency programs provide these benefits to all other customers at no cost to  
2 those customers.

3 **Q. Are there competitive reasons that would justify the availability of an opt-out for a**  
4 **large commercial retailer like Walmart?**

5 A. Yes. To the extent that Walmart is investing on its own in DSM and EE, it does so with  
6 no expectation or desire to recover those costs that it has chosen to invest from other  
7 electric ratepayers. At the same time, however, if Walmart is, in addition to its own EE  
8 and DSM investment, being required to pay SCE&G for the costs of SCE&G's EE and  
9 DSM programs that may be benefiting Walmart's competitors, Walmart is effectively  
10 subsidizing those competitors.

11 **Q. What opt-out mechanism does Walmart recommend the Commission approve for**  
12 **SCE&G?**

13 A. Walmart recommends that the Commission adopt the DEP opt-out mechanism for  
14 SCE&G. The DEP opt-out mechanism is a workable, fair, reasonable, and equitable  
15 method of instituting a functional opt-out program. SCE&G's EE/DSM tariff should be  
16 updated with language similar to that in DEP RIDER DSM/EE-5 that requires the  
17 following:

18 Demand Side Management/Energy Efficiency "Opt-Out"  
19 Option

20  
21 Commercial Customers with annual consumption of  
22 1,000,000 kWh or greater in the billing months of the prior  
23 calendar year and all industrial customers may elect not to  
24 participate in the Company's demand side management and  
25 energy efficiency programs by notifying Company of the  
26 customer's election in writing. Any Customer that elects  
27 this option will be exempt from the annual rider. For  
28 purposes of application of this option, a Customer is defined

1 to be a metered account billed under a single application of a  
2 Company rate tariff. For commercial accounts, once one  
3 account meets the opt-out eligibility requirement, all other  
4 accounts billed to the same entity with lesser annual usage  
5 located on the same or contiguous properties are also  
6 eligible to opt-out of the DSM/EE Rider. Since these rates  
7 are included in the rate tariff charges, Customers electing  
8 this option shall receive the following DSM/EE Credit on  
9 their monthly bill statement...." See Exhibit KEB-2 (Tariff  
10 Sheet).  
11

12 **Q. In what way would adoption of this mechanism satisfy Walmart's concerns?**

13 A. As I noted above, Walmart is committed to investment in DSM and EE in seeking to  
14 effectuate significant energy savings by the end of this decade. Walmart's efforts in that  
15 regard will not only fulfill Walmart's goals, but they have the effect of benefiting other  
16 ratepayers. At the same time, however, Walmart does not believe it reasonable or  
17 appropriate for it to also pay for DSM and EE programs that do not expressly benefit  
18 Walmart given Walmart's substantial, independent investment in its own measures.  
19 Adoption of a DEP-type mechanism would provide Walmart with a reasonable means to  
20 opt-out and thereby avoid it having to essentially pay twice for DSM and EE program  
21 measures.

22 **Q. Does this conclude your Direct Testimony?**

23 A. Yes.

STATE OF SOUTH CAROLINA  
BEFORE THE PUBLIC SERVICE COMMISSION  
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Efficiency Programs )

**EXHIBITS OF KENNETH E. BAKER**

**ON BEHALF OF**

**WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

STATE OF SOUTH CAROLINA  
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**EXHIBIT\_\_KEB-1 OF KENNETH E. BAKER**

**ON BEHALF OF**

**WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

<i><b>JURISDICTION</b></i>	<i><b>TOPIC</b></i>	<i><b>DOCKET NOS.</b></i>
Arizona	Renewable Energy Standard	Docket Nos. E-01345A-10-0394; E-0134A-12-0290; E-01933A-12-0296; E-04204A-12-0297
Arkansas	Energy Efficiency, Self-Direct	Docket Nos. 10-100-R; 10-101-R
Georgia	IRP	Docket Nos. 36498; 36499
Indiana	Energy Efficiency, Self-Direct	Cause No. 43580
Massachusetts	Forward Capacity Market	Docket No. D.P.U. 08-8
Missouri	DSM	Cause No. EO-2012-009
New Mexico	Renewable Portfolio Procurement Plan	Case Nos. 10-00199-UT; 10-00373-UT
New Mexico	Energy Efficiency	Case No. 10-00280-UT
South Carolina	Smart Grid	Docket No. 2005-386-E



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Efficiency Programs )

ON BEHALF OF

**WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

Duke Energy Progress, Inc.  
(South Carolina Only)

RR-5

DEMAND SIDE MANAGEMENT AND ENERGY EFFICIENCY  
RIDER DSM/EE-5

APPLICABILITY

The rates shown below are included in the MONTHLY RATE provision in each schedule identified in the table below:

Rate Class	DSM/EE Rate
Residential Applicable to Schedules: RES, R-TOUD & R-TOUE	0.560¢/kWh
Small General Service Applicable to Schedules: SGS, TSS & TFS	0.265¢/kWh
Medium General Service Applicable to Schedules: MGS, SGS-TOU, SI, SGS-TES, CSG, CSE, GS & Rider SS (less than 1 MW)	0.265¢/kWh
Large General Service Applicable to Schedules: LGS, LGS-TOU, LGS-CUR-TOU, LGS-RTP and Rider SS (1 MW and greater)	0.265¢/kWh
Lighting Applicable to Schedules: ALS, SLS, SLR & SFLS	0.000¢/kWh

The Demand Side Management/Energy Efficiency (DSM/EE) Rate is adjusted annually to reflect the costs and incentives associated with demand side management and energy efficiency measures and programs approved by the Public Service Commission of South Carolina.

Demand Side Management/Energy Efficiency "Opt-Out" Option

Commercial customers with annual consumption of 1,000,000 kWh or greater in the billing months of the prior calendar year and all industrial customers may elect not to participate in Company's demand side management and energy efficiency programs by notifying Company of the customer's election in writing. Any Customer that elects this option will be exempt from the annual rider. For purposes of application of this option, a Customer is defined to be a metered account billed under a single application of a Company rate tariff. For commercial accounts, once one account meets the opt-out eligibility requirement, all other accounts billed to the same entity with lesser annual usage located on the same or contiguous properties are also eligible to opt-out of the DSM/EE Rider. Since these rates are included in the rate tariff charges, Customers electing this option shall receive the following DSM/EE Credit on their monthly bill statement:

$$\text{DSM/EE Rate Credit} = \text{Billed kWh times DSM/EE Rate}^*$$

\* The DSM/EE Rate shall be as shown in the above table for the schedule applicable to Customer's monthly bill.

Following the December bill each year, usage for commercial accounts electing to "opt-out" of the DSM/EE rate shall be reviewed and the customer shall be notified and removed from the "opt-out" option if annual consumption is less than 1,000,000 kWh in the prior twelve months.

SALES AND FRANCHISE TAX OR PAYMENT IN LIEU THEREOF

To the above charges will be added any applicable South Carolina sales tax, and for those customers within any municipal or other local governmental jurisdiction, an appropriate amount to reflect any franchise fee, business license tax, or similar percentage fee or tax, or charge in lieu thereof imposed by such entity.

GENERAL

Service rendered under this Schedule is subject to the provisions of the Service Regulations of the Company on file with the state regulatory commission.

Supersedes Rider DSM/EE-4

Effective for bills rendered on and after July 1, 2013

SCPSC Docket No. 2013-76-E, Order No. 2013-469